



The Sino–European race for Africa's minerals: When two quarrel a third rejoices

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ARTICLE INFO

Article history:

Received 12 September 2014

Received in revised form

26 November 2014

Accepted 28 November 2014

Keywords:

Mineral supply

European minerals policy

Chinese minerals policy

Resource competition

Trade policy

African development

ABSTRACT

Although well-endowed with mineral resources, Africa has historically never been able to harvest the developmental benefits from its mineral wealth. The dawn of the 21st century has brought about a new scramble for mineral resources on African soil. China's rising wealth levels and the country's growing demand for mineral commodities combined with Europe's eagerness to maintain its traditional sphere of influence and secure the continent's need for resource imports from Africa have added up to an international race for Africa's minerals. China has become an attractive business partner to many African countries which sought an alternative to traditional investment approaches. Naturally, China's rapid ascent on the African continent has stirred European fears about losing its strategic primacy in Africa. Threatened by the “dragon's” seemingly insatiable appetite for Africa's mineral resources, the EU has thus increased its effort to secure its hold on the region. In an effort to better understand the effects of the Sino–European scramble for African minerals on the economic prosperity and human development of the world's most impoverished continent, the paper analyses Africa's opportunities and challenges of the growing competition in the continent's minerals sector. While there are grounds to assert that China's ascendancy in the African minerals sector constitutes a new form of colonialism, there is also reason for the nascent hope that China's race for African minerals might change the rules of a game in which Africa has long been the desolate loser and Europe the undisputed winner.

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Introduction

Africa is home to some of the resource-richest regions in the world. The continent possesses large reserves of oil, gas and strategic minerals such as cobalt, copper and diamonds. And yet, instead of fuelling growth, prosperity and development, Africa's resource wealth has historically been more a curse than a blessing. Be it due to centuries-long colonization and exploitation by Western powers or decades-long wars on so-called conflict minerals, most parts of Africa have failed to translate their resource richness into wealth and power.

Today a new scramble for mineral resources has opened new doors for Africa's development and created a new source of hope for the African people. Whilst European powers continue to claim hegemonic influence over Africa, China's involvement in the African economy has tremendously increased during the past decades. As we are running out of resources, Africa has therefore become the battlefield for mounting geopolitical tensions mainly between China and traditional Western powers such as Europe and the United States.¹ It is widely disputed whether this expanding race for Africa's resources will benefit or harm Africa. Some see China's growing

involvement in Africa as an additional neo-colonial threat, while others view it as a unique opportunity to lift the continent into a better economic position.² Studies which showed a negative correlation between mineral dependency and economic wealth have led to the assumption of a “resource curse”.³ There are, however, noteworthy examples of countries which succeeded in translating their mineral wealth into economic prosperity such as Botswana or Chile.⁴ The key question for African countries is therefore how to best make use of newly arising opportunities and how to tackle the challenges resulting from the burgeoning race for their mineral commodities.

Research aim and methodology

The aim of the paper is to answer the question of whether and under which conditions the Sino–European race for Africa's mineral resources could boost the African economy and support

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¹ “Scramble for Africa”, *The Guardian*, May 2, 2007.

² Jiang, Wenrang, “China's Emerging Partnerships in Africa”, in Rotberg, Robert, *China Into Africa: Trade, Aid and Influence*, Cambridge: Brookings Institution Press, 2008, p. 59.

³ Haglund, Dan, “Blessing or curse? The rise of mineral dependence among low- and middle-income countries,” *Oxford Policy Management*, 2011.

⁴ Haglund, Dan, “Blessing or curse? The rise of mineral dependence among low- and middle-income countries,” *Oxford Policy Management*, 2011.

human development on the African continent. First, the paper shows how increasing scarcity of resources, persisting interest conflicts and seemingly unsurmountable policy discrepancies between China and Europe further sharpen the competition for mineral commodities on African soil. It then attempts to illustrate how increased competition on the demand side in the African minerals market could be a new window of opportunity for Africa, leading to mounting mineral prices and thereby strengthening Africa's negotiation power in international minerals trade. On the other hand, possible challenges such as the growing danger of a war for resources, the increasing threat of corruption, and the elevated risk of the suppression of the African civil society by foreign investors or local elites are examined.

The research question is of particular importance in view of the desperately needed poverty reduction on the African continent. Rising mineral prices during the past decade have increasingly encouraged African countries to rely heavily on their mineral exports. Although in theory the race for Africa's resources should benefit the African economy and ultimately the African people, the reality has revealed a different picture: In many cases wars, high corruption levels, exploiting investors and unfavorable market conditions have hampered Africa's ability to translate its mineral wealth into prosperity and development. The paper attempts to contribute to the growing number of articles on rising Sino-European competition for Africa's minerals by identifying the conditions under which African countries and their people could benefit from the scramble for resources in order to provide a road map for policy makers, investors, NGOs and other stakeholders in their future dealings with the African mining industry.

In order to reach the research aim the paper makes use of recently published specialist books, academic journal articles, newspaper articles, reports issued by governmental and non-governmental institutions mainly in Europe, China and Africa, conference protocols as well as available statistics, graphics and empirical studies on the topic. Apart from the literature research, the paper also draws conclusions from expert views, policy maker statements and public opinion surveys illustrating the views of African civilians.

Mounting Sino-European competition for Africa's minerals

Europe has traditionally played a major role in Africa with far-reaching political, economic and cultural influence over large parts of the continent. Even after the decolonization process which gained momentum with Libya being the first colony to regain its independence in 1951⁵, many existing economic ties of African countries with Europe have been continued or even upgraded. In particular, since the 1970s, economic bonds have been strengthened by various agreements, such as the Lomé conventions and the Cotonou Partnership Agreement. Europe has enjoyed the privilege of close economic partnership, preferential trade agreements and the exercise of soft power through various official development aid programs. It has also been granted duty-free export of African mining resources to the European Community.⁶ Due to persisting criticism on the incompatibility of preferential trade agreements between Europe and Africa with the WTO principles, the controversial Economic Partnership Agreement (EPA), a reciprocal agreement between the EU and African, Caribbean and Pacific countries⁷, was initiated in 2007.

These European efforts to strengthen trade relations with Africa since the 1970s resulted in continuously rising trade statistics between the two continents. Between 1999 and 2012, the EU's total

trade with Africa increased by an annual rate of 10.3%. Furthermore, the EU's imports from Africa rose by 11.3% per year within the same period. In 2012, imports increased by 13.6%, while exports to Africa only grew by 2.5%. This caused a total trade increase between the EU and Africa trade of 8.4% in 2012.⁸ With precious stones and metals accounting for almost 75% of the EU's total imports from Africa in 2012, mineral commodities constitute the biggest portion of Europe's imports from Africa.⁹

Since the early 2000s, China's rapidly growing presence on the African continent has caused European countries to feel increasingly threatened in their traditional sphere of influence and to perceive China as a major competitor in the global race for resources.¹⁰ Apart from the rising geopolitical tensions, disputes over human rights violations, environmental challenges and energy security concerns have grown stronger in recent years. Although China and Africa share important historical ties, with trade interactions dating back to the Song dynasty (960–1279)¹¹, it was only after the birth of the People's Republic of China in 1949 that China began to pursue an explicit, conscious strategy towards Africa. During the 1950s and 1960s China's interest in Africa was primarily of political and ideological nature. In the course of the Cultural Revolution China's influence in Africa was fading, as China was engaged with its own internal turbulences. However, the end of the Cultural Revolution and the beginning of a new leadership era under Deng Xiaoping brought about a substantial shift in China's Africa policies. After a decade of neglecting Africa, Beijing revived its bilateral relations with the old partner, this time putting the emphasis on commercial cooperation rather than ideological coalition. It was at that time that China started considering Africa as a crucial partner to secure strategically important resources. The Chinese leadership from thereon thus focused its attention on strengthening China's economic ties with Africa.¹²

In the 1990s, China's presence in Africa was growing fast, with a total trade increase of 700% compared to the 1980s.¹³ By the end of the decade, China had founded about 480 joint ventures in 47 African countries.¹⁴ Then, between 1999 and 2007, the Sino-African bilateral trade increased from \$6.5 billion to \$73.3 billion and, in 2008, 48 African countries were granted loans by China and 300 projects in 36 African countries were funded by China's Export-Import Bank.¹⁵ 2009 marked the year in which the United States was overtaken by China as Africa's most important trading partner. Even if the European Union's total trade with Africa still exceeds China's trade with Africa by far, China is catching up quickly and its influence on the African continent is growing at a remarkable speed.¹⁶

The importance the People's Republic of China has lately attributed to Africa becomes evident not only in the rising trade and investment figures, but also in the number of Chinese high-profile state visits paid to African nations. Former president Hu Jintao visited Africa five times and Xi Jinping has already paid visit to three African countries on his first official trip abroad as China's

⁸ Beets, Rudi, "Africa-EU Trading Relationship", Tralac Trade Law Center.

⁹ Global Trade Atlas 2013 and Beets, Rudi, "Africa-EU Trading Relationship", Tralac Trade Law Center.

¹⁰ Wu, Chien-Huei, "Beyond European conditionality and Chinese non-interference: articulating EU-China-Africa trilateral relations", in *China, the European Union and Global Governance*, Cheltenham: Edward Elgar Publishing, 2012, p. 106.

¹¹ Power, Marcus; Mohan, Giles et al., *China's Resource Diplomacy in Africa: Powering Development?*, Hampshire: Palgrave Macmillan, 2012, p. 26–58.

¹² "Emerging Power expands ties with Africa", International Policy Digest, September 17, 2012.

¹³ Servant, Jean-Christophe, "China's Trade Safari in Africa", *Le Monde Diplomatique*, n.d.

¹⁴ Shelton, Garth, "China and Africa: Building an Economic Partnership", *South African Journal of International Affairs*, vol. 8, no. 2, 2001.

¹⁵ Raine, Sarah, *China's African Challenges*, New York: Routledge, 2009, p. 27.

¹⁶ OECD, "Africa's Trading Partners", 2012.

⁵ FOCAC, "History of Africa".

⁶ Gerber, Leon, "Africa and the EU Mineral Trade", working paper n. 77, Polinares, EU Policy on Natural Resources, 2012, p. 3.

⁷ Kareem, Olayinka, "The European Union's Trade Policies and Africa's Exports", *The World Economics Journal*, Volume 12, No. 2, June 2011.

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